Regulation 39-30-103.5. <u>Credit allowed against income tax for contribution to enterprise zone administrator to implement economic development plan.</u>

- (a) <u>Credit allowed.</u> A credit is allowed against Colorado income tax for monetary or inkind contributions to an enterprise zone administrator or to a project, program or organization certified by a zone administrator to receive such contributions.
- (b) <u>Use of contribution</u>. No credit will be allowed for a contribution that is used for a purpose that directly benefits the contributor. The contribution must be used for a purpose that is directly related to job creation, job preservation, or the promotion of temporary, emergency, or transitional housing programs for the homeless. Effective January 1, 2003, contributions used to promote community development projects will also qualify.

(c) Computation of the credit.

- (1) The contribution credit for taxable years beginning prior to 1996 was limited to 50% of the value of the contribution. For taxable years beginning on or after January 1, 1996, the credit is limited to 25% of the value of the contribution.
- (2) Credit for in-kind contributions are allowed at one-half the rate that would have been allowed for a monetary contribution of the same value. Thus where a 50% cash contribution credit would have been allowed, an in-kind contribution will create a credit of 25% of the value of the contribution; or where a 25% credit would have been allowed for a cash contribution, an in-kind credit will be 12.5% of the value of the contribution.
- (3) Combined cash and in-kind contributions will generate credits at rates ranging from the cash credit to the in-kind credit rate depending on the proportions of the components. The credit will be the smaller of: (A) 100% of the cash contribution plus 12.5% of the total value of the combined contribution or \$50,000; (B) 25% of the total value of the combined contribution; or (C) \$100,000.
- (d) <u>Limitation on amount of credit that may be generated.</u> Carryovers. The amount of credit that may be generated in any one tax year may not exceed \$100,000. The amount of credit that may be generated in any one tax year by in-kind contributions may not exceed \$50,000. If the amount of credit generated in one tax year exceeds the amount of tax, the excess may be carried forward for up to five tax years.

(e) Examples:

- (1) Under the 25% credit limitation rules, the contribution of in-kind property with a value of \$100,000 will create a credit of \$12,500.
- (2) If in addition to the \$100,000 of in-kind property, \$10,000 in cash is contributed, the credit becomes \$23,750 computed as follows:

Cash	\$10,000
In-Kind @ 12.5% of total contribution	\$13,750
Total credit	\$23,750

(3) However, once the credit for in-kind contributions hits the \$50,000 limitation, the effect of additional cash contributions becomes limited:

\$400,000 In-Kind	N. C. I	Ф10 000 C 1	\$100,000
Contribution plus:	No Cash	\$10,000 Cash	Cash
1. Cash Contribution	\$0	\$10,000	\$100,000
2. In-Kind Contribution	\$400,000	\$400,000	\$400,000
3. Total Contribution	\$400,000	\$410,000	\$500,000
4. Smaller of 50% or 100,000	\$100,000	\$100,000	\$100,000
5. Limitation on In- Kind Credit	\$50,000	\$50,000	\$50,000
6. Allowable In-Kind Credit	\$50,000	\$50,000	\$50,000
7. Limitation on Cash Credit	\$50,000	\$50,000	\$50,000
8. Allowable Cash Credit	<u>\$0</u>	<u>\$10,000</u>	\$50,000
9. Total Credit	\$50,000	\$60,000	\$100,000

(f) Contributions to promote employment for the homeless.

- (1) Contributions made to enterprise zone administrators or to projects, programs, or organizations certified to receive direct donations for the purpose of promoting employment for homeless persons in enterprise zones may qualify for the enterprise zone contribution tax credit.
- (2) To be eligible to receive assistance from tax-credited contributions to enterprise zone administrators, an organization must meet the following criteria:
- (A) Housing An organization must offer temporary, emergency, or transitional housing for the homeless.
- (B) Support services In addition, a participating organization must have a regular on-going program offering child care, job placement, counseling, and/or other services appropriate to its clientele which support placement of the homeless in permanent employment.
- (C) Referrals The law allows an organization to meet the requirement for support services by offering referrals to such services. In this case, there should be a written agreement or letter substantiating the status of the relationship between the referring

homeless provider and the referred-to support service organization. The agreement or letter should indicate that such referrals are appropriate and accepted subject to the same general conditions that would apply to other potential clientele of the referred-to organization.

- (3) The statute authorizes the contributions "for the purpose of promoting employment for homeless persons in the enterprise zones." The required connection to the geography of an existing zone may be met by:
- (A) The location within a zone of an organization's housing and employment support services.
- (B) If the housing is not within a zone, demonstration to the enterprise zone administrator's satisfaction of a significant level of service in the zone. This may be shown by the location within the zone of an organization's facility offering employment referrals, counseling, and training; and/or clientele drawn from within the zone.
- (C) In the case of an organization that provides services both within and outside of a zone, documentation to the enterprise zones administrator's satisfaction that the prorated or allocated costs providing services within the zone equal or exceed the amount of funds derived from enterprise zone contributions.
- (g) <u>Certificate of value and use.</u> Any income tax return filed with the Department of Revenue wherein the taxpayer is claiming a credit for contribution to an enterprise zone administrator of \$250 or more must contain a certificate signed by the enterprise zone administrator or an official of the project, program, or organization certified to receive direct donations showing the value of the contribution and the use to which the contribution will be put.